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Ex-Agent Cites CIA Drug Scheme

A former CIA agent, who is under indictment for fraud and perjury, claims that a superior asked him to take part in a CIA-sponsored drug-smuggling operation. The ex-agent, Ronald Ray Rewald, told confidants that when he declined, the CIA dropped the matter.

Rewald's charge is the latest in a spate of reports dating back to the 1970s that the CIA has been involved in international drug trafficking. It also raises new questions about an Australian bank scandal four years ago that cost investors millions.

The Australian bank, Nugan Hand Ltd., was run by former CIA and U.S. military officers. It served as a "laundry" for illicit heroin and arms syndicates, which it also helped to finance. The bank collapsed after the apparent suicide of its co-founder, entrepreneur Frank Nugan, in January 1980.

Rewald's accusation of CIA drug trafficking turned up during an investigation by my associates Dale Van Atta and Indy Badhwar into the Hawaiian investment firm that Rewald headed—Bishop, Baldwin, Rewald, Dillingham & Wong.

Rewald insists that the CIA bankrolled his company and caused its collapse, which, like the bank, cost investors millions. The CIA has acknowledged only low-level involvement with BBRD&W and categorically denies any involvement in the drug trade.

A business card of a former CIA director was in Nugan's pocket when his body was found. His partner, Michael Hand, and several members of the bank's board had ties to the CIA. Yet the agency vehemently denied any connection with the bank.

The parallels between Nugan Hand Ltd. and

BBRD&W are striking. For example, Nugan Hand, with 22 offices around the world, offered investors at least a 15 percent return on their money—high for the 1970s. BBRD&W had 16 offices in various countries and—reflecting the higher interest rate of more recent years—offered investors a generous 20 percent return.

Like Nugan Hand, Rewald's investment firm was hip-deep in active or retired CIA employees. My staff has identified at least 17 BBRD&W employees who were CIA agents.

In fact, several sources close to the Rewald case have suggested that his Honolulu investment company was being specifically groomed to take over Nugan Hand's role in CIA operations throughout the Pacific basin.

It was in 1982, to the best of Rewald's recollection, that he was approached by a senior CIA official and asked if he would help in a CIA drug-smuggling operation.

When Rewald told the CIA official that he had no one in his firm with experience in drug operations, the CIA man contradicted him and named a BBRD&W employee who had been a longtime CIA contract agent active in Southeast Asia. Rewald still declined the drug assignment.

Before the CIA's ambitious expansion hopes for BBRD&W could be implemented, a Hawaiian television station ran a financial expose of Rewald and his company. Staying in a Honolulu hotel room under a false name, Rewald watched the show, then slashed his wrists. Unlike Frank Nugan three years earlier, Rewald lived. He faces trial on 100 counts of fraud, perjury and tax evasion.